

The Holland Home Improvements Limited Pension Plan (the "Scheme")

Annual governance statement for the Scheme year ending 31 March 2019

1. Introduction

As Trustee of the Scheme we have reviewed and assessed that our systems, processes and controls across key governance functions are consistent with those set out in the Pensions Regulator's:

- code of practice 13: governance and administration of occupational trust-based schemes providing money purchase benefits (the "DC code"); and
- regulatory guidance for defined contribution schemes ("DC regulatory guidance").

Based on our assessment, the Trustee continues to work towards adopting the standards of practice set out in the DC code and DC regulatory guidance.

At the date of this statement the Trustee confirms that there were two deferred members of the Scheme.

2. Governance of the Default Arrangement

The Pensions Regulator appointed Open Trustees Limited as Trustee of the Scheme on 7 September 2018.

The Scheme's assets are invested wholly in an insurance policy provided by Zurich Assurance Limited ("Zurich"). Zurich is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

The Trustee has not prepared a statement of investment principles ("SIP") in relation to the Scheme because:

- as the Scheme has fewer than 100 members, it is exempt from providing a SIP under regulation 2 of the Occupational Pension Schemes (Investment) Regulations 2005; and
- the Scheme ceased to receive contributions before 6 April 2015 and Zurich does not operate a default arrangement in relation to members of the Scheme. As such, the Trustee is not required to prepare a default fund SIP under regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005.

3. Objectives of the Scheme's default approach

Zurich does not operate a default arrangement for members of the Scheme.

4. Core Financial Transactions

The Trustee has a duty to ensure that core financial transactions (including the investment of contributions, transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members) relating to the Scheme are processed promptly and accurately. The Trustee delegates the processing of some of these transactions to Zurich and then retains responsibility for processing the remaining transactions itself.

So far as the Trustee acts as administrator in respect of those transaction, an independent auditor undertakes an external audit of the Trustee's administrative processes and controls (AAF 02/07) on an annual basis. In addition, the Trustee has internal controls policies and a Scheme specific risk register in place to mitigate potential risks relating to core financial transactions. This is reviewed by the Trustee at least annually.

The Pensions Regulator appointed Open Trustees as trustee of the Scheme on 7 September 2018. As we were only appointed to act as Trustee part way through the year being reported on in this statement we cannot comment on whether the former trustees identified any issues in terms of the processing of core financial transactions during the part of the Scheme year prior to our appointment. However, following our appointment we have kept (and will keep) the processing of core financial transactions under regular review and will report on it as part of our annual audit process.

We confirm that no issues were identified during the period from 7 September 2018 to the year end and following the annual audit process.

5. Charges and Transaction Costs

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the "**Administration Regulations**") require the Trustee to make an assessment of charges and transactions costs borne by the Scheme members and the extent to which those charges and costs represent good value for money for members.

In order for us to make this assessment, Zurich has confirmed that members' benefits are invested in its managed fund, its far east fund, its European fund and its US equity fund, which are all unit linked funds. As these funds are unit-linked funds, the units are calculated on a daily basis.

The Scheme has no guaranteed investment returns or guaranteed annuity rates. There are no guaranteed assured funds or any other guaranteed benefits and the Scheme does not operate a lifestyle strategy.

If benefits are claimed before selected retirement age, an early exit charge will be applied depending on the member's age and the retirement dated. Early exit charges are compliant with Part 2, Chapter 2 of the Occupational Pension Schemes (Charges and Governance) Regulations 2015. Additionally,

Zurich have confirmed that the following charges apply to the funds that the members of the Scheme are invested in.

Name of fund	Fund charges	Annual management charge	Transaction costs	Bid / Offer spread
Managed fund	4.43%	0.18%	0.17%	5%
Far east fund	4.52%	0.27%	0.13%	5%
European fund	4.41%	0.16%	0.34%	5%
US equity fund	4.40%	0.15%	0.33%	5%

The fund charges includes the charges and expenses that are deducted from the fund and are reflected in the unit price. The annual management charge covers the cost of investing in the fund and the transaction costs are incurred from buying and selling assets in the fund.

In addition to the above, we understand that for capital unit funds a charge of 4.25% per year is taken from capital unit funds. This charge is taken directly within the fund and is reflected in the daily fund price. It is only taken until the member's chosen retirement age (or 65 if earlier). This charge cover's Zurich's costs for setting up the member's plan and the payments into it.

There is also a monthly policy charge currently of £11.58 per month. This charge increases each year with inflation and is applied by reducing the number of units in a member's plan.

Conclusions

Given that the charges are in line with market standards for this type of policy and the Scheme is in the process of being wound up, the Trustee is sufficiently comfortable that the charge and costs referred to by Zurich in respect of the Scheme represent good value for money for the members. The Trustee, therefore, has concluded that the Scheme's assets should remain invested in the Zurich policy until the Scheme is wound up.

Illustrations

Despite asking Zurich to provide the Trustee with illustrations of the charges and transaction costs as required under the Occupational Pension Schemes (Administration and Disclosure) Amendment Regulations 2018 and relevant statutory guidance, for reasons outside of the Trustee's control, Zurich have not yet been able to provide these illustrations. We will continue to chase Zurich for the illustrations and will provide an updated Chair's statement as soon as this information is available.

Trustee Knowledge and Understanding (TKU)

Section 248 of the Pensions Act 2004 requires the Trustee to possess, or have access to, sufficient knowledge and understanding to run the Scheme effectively.

The Trustee takes training and development responsibilities seriously and each member of the board of directors of the Trustee maintains a record of all training completed during the Scheme year. This record is reviewed annually in order to identify any gaps in knowledge and understanding and a training plan is then put in place over the course of the following Scheme year.

Each of the members of the board of directors is a UK qualified lawyer, either specialising in UK pensions law or insolvency and restructuring law. The Trustee combines the knowledge and understanding of the members of the board, together with the advice which is available to them through their consultants and advisers, to enable them to properly exercise their function as Trustee of the Scheme.

The Pensions Regulator appointed Open Trustees as trustee of the Scheme on 7 September 2018. As we were appointed to act as Trustee part way through the year end being reported on in this statement we cannot comment on whether the former trustees possessed or had access to sufficient knowledge and understanding to run the Scheme effectively.

However, following our appointment as Trustee of the Scheme, members of the board of directors have met the statutory requirement for trustee knowledge and understanding through a combination of attending structured internal training sessions relating to pensions law and practice relevant to the Scheme, attendance of external training courses, individual private study, completion of the Pensions Regulator's Trustee Toolkit and participating in internal knowledge sharing sessions. Examples of the training sessions the board of directors have attended recently include application of the General Data Protection Regulations, changes to DC governance requirements, the law relating to the transfers of DC benefits and the impact of Brexit.

Additionally, each of the members of the board of directors have access to the Scheme's governing documents in order to ensure they are conversant with those documents.

Signed:

Date: 31 October 2019

Director of Open Trustees Limited (Chair of Trustees)